

Message Text

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ACTION NEA-10

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FM AMCONSUL CASABLANCA

TO SECSTATE WASHDC 3762

INFO AMEMBASSY LONDON

AMEMBASSY RABAT

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E.O. 11652: N/A

TAGS: EINV ENRG MO

SUBJ: ESSO-GOM DISPUTE

1. ESSO AFRICA'S JOHN ROOT SPENT SEVERAL DAYS IN MOROCCO LAST WEEK PRIMARILY DISCUSSING BILL FOR BACK TAXES LEVIED BY GOM AGAINST ESSO MAROC. BILL COVERS YEARS 1971-74 AND TOTAL TAX CLAIM IS ABOUT \$900 THOUSAND. IT RESULTS FROM REGUALR QUADRENNIAL REVIEW OF ALL OIL COMPANIES BY GOM TAX AUTHORITIES AND ROOT HAS NO REASON BELIEVE IT IS INSPIRED BY OR RELATED TO THE BASIC DISPUTE OVER MOROCCANIZATION. ALMOST TWO THIRDS OF TOTAL LIABILITY RELATES TO A LOAN CONVERTED TO EQUITY WHICH ROOT BELIEVES CAN BE SATISFACTORILY EXPLAINED. IF SO, BUT OTHER GOM CLAIMS UPHELD, NET EFFECT WOULD BE TO REDUCE ESSO MAROC BOOK VALUE BY SOME \$700 THOUSAND. SINCE ESSO AFRICA WILL NOT PAY, CLAIM WOULD HAVE TO BE MET BY PRESENT ESSO MAROC MANAGEMENT OUT OF CASH RESERVES. AWARE OF THIS, MANAGEMENT BEING HIGHLY COOPERATIVE WITH ROOT IN PROVIDING ACCESS TO FILES TO PREPARE REBUTTAL TO TAX CLAIM.

2. RE BASIC GOM-ESSO DISPUTE, ROOT OPINION IS THAT BARRING SOME NEW DEVELOPMENTS IN VASTOLA'S U.S. DISCUSSIONS LAST WEEK (ON WHICH HE UNINFORMED), EXXON MANAGEMENT WILL NOT ITSELF

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TAKE NEW INITIATIVE WITH GOM FOR NEGOTIATION. HE CONFIRMED THAT

EXXON TRADE MARK LAWYERS UNWILLING TO PURSUE ACTION IN MOROCCAN COURTS (FEARING UNFAVORABLE DECISION) BUT THAT ESSO PURSUING ITS ORIGINAL COURT CHALLENGE HERE TO LEGALITY OF GOM TAKEOVER. BEYOND THAT, HE FEELS ESSO AFRICA NOT PREPARED TO CONTINUE SPENDING TIME, MONEY, AND MANPOWER WITHOUT SOME TANGIBLE EVIDENCE THAT NEW AVENUES ARE OPENING OUT OF PRESENT DEAD END. (COMMENT: WE WOULD GUESS ESSO SPENDING MORE ON LITIGATION AND NEGOTIATION THAN THE TOTAL AMOUNT IN DISPUTE WITH GOM).
BRUBECK

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